



TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

Number: **201116028**
Release Date: 4/22/2011

Date: January 27, 2011

UIL: 501.33-00; 501.35-00

Contact Person:

Identification Number:

Contact Number:

Employer Identification Number:

Form Required To Be Filed:
1120

Tax Years:
All Years

Dear :

This is our final determination that you do not qualify for exemption from Federal income tax as an organization described in Internal Revenue Code section 501(c)(3). Recently, we sent you a letter in response to your application that proposed an adverse determination. The letter explained the facts, law and rationale, and gave you 30 days to file a protest. Since we did not receive a protest within the requisite 30 days, the proposed adverse determination is now final.

Because you do not qualify for exemption as an organization described in Code section 501(c)(3), donors may not deduct contributions to you under Code section 170. You must file Federal income tax returns on the form and for the years listed above within 30 days of this letter, unless you request an extension of time to file. File the returns in accordance with their instructions, and do not send them to this office. Failure to file the returns timely may result in a penalty.

We will make this letter and our proposed adverse determination letter available for public inspection under Code section 6110, after deleting certain identifying information. Please read the enclosed Notice 437, *Notice of Intention to Disclose*, and review the two attached letters that show our proposed deletions. If you disagree with our proposed deletions, follow the instructions in Notice 437. If you agree with our deletions, you do not need to take any further action.

In accordance with Code section 6104(c), we will notify the appropriate State officials of our determination by sending them a copy of this final letter and the proposed adverse letter. You should contact your State officials if you have any questions about how this determination may affect your State responsibilities and requirements.

If you have any questions about this letter, please contact the person whose name and telephone number are shown in the heading of this letter. If you have any questions about your Federal income tax status and responsibilities, please contact IRS Customer Service at 1-800-829-1040 or the IRS Customer Service number for businesses, 1-800-829-4933. The IRS Customer Service number for people with hearing impairments is 1-800-829-4059.

Sincerely,

Robert Choi
Director, Exempt Organizations
Rulings & Agreements

Enclosure
Notice 437
Redacted Proposed Adverse Determination Letter
Redacted Final Adverse Determination Letter

cc:



TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

Date: December 2, 2010

Contact Person:

Identification Number:

Contact Number:

FAX Number:

Employer Identification Number:

LEGEND:

A =
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UIL:

501.33-00
501.35-00

Dear :

We have considered your application for recognition of exemption from Federal income tax under Internal Revenue Code section 501(a). Based on the information provided, we have concluded that you do not qualify for exemption under Code section 501(c)(3). Consideration

Letter 4036 (CG) (11-2005)
Catalog Number 47630W

was given as to whether you qualify under any other paragraph under section 501(c) and we have determined you have not. The basis for our conclusion is set forth below.

Issues

1. Does the factual record in the administrative file demonstrate that you fail to meet the operational test under Treas. Reg. 1.501(c)(3)-1(c)? Yes, for the reasons stated below.
2. Did you fail to submit additional information to the Internal Revenue Service upon request, and does your lack of response constitute another basis for denying your application under IRC § 501(c)(3)? Yes, for the reasons stated below.

Facts

You were incorporated on date x under the laws of the State of A, for charitable, educational and scientific purposes, and specifically " ... to have research and development projects, as well as training and education programs to benefit social development." Your directors are B, C, D, and E. B is also your President and CEO.

Article 2, Section 2 of your bylaws state you have been " ... established with an objective to conduct technology assessment, exchange and transfer, medical and pharmaceutical research and development; information technology, internet e-commerce; training programs and others."

Your proposed activities are as follows:

- a) You identify potential "public interest technology projects" ("PITP") in need of funding.
- b) You want to develop an "Evaluation System for Public Technology" ("ESPT"), the function of which is to evaluate potential PITPs.
- c) The ESPT-ranked projects will be put out on a "not-for-profit auction site", a web-based platform.
- d) Persons and entities log into the auction site, and if one finds a PITP to which he/she signifies their willingness to "donate," you "find the person best fitted to conduct the project."
- e) You exercise little or no effectual oversight or control of the project, once you have matched it with a "donor" and a "project manager".

In addition to " ... facilitating donations for financing public interest technology projects ... " you have indicated that you will facilitate donations for "promoting research and education projects" and "intellectual property exchanges," and may become engaged in "securitization of social technology assets, such as public health technologies and environmental technologies." You have also indicated that you may engage in Research and Development in partnership with other organizations.

Your platform is based on certain elements of the G system. The G system is based on an electronic platform which functions as an online auction site where businesses needing technology or capital can find providers of the same. The G project is a public and private partnership sponsored by J, an agency involved in international development. At the heart of G is an electronic "open-neutral-platform ... " which " ... gives sellers of technology a wide-open market to find a best buyer ... " thereby optimizing a return on their technology sales and investments; and enables businesses that are technology users to " ... quickly and efficiently

buy the most appropriate technologies for their business and investment." G was developed to facilitate technology transfers to countries in the developing world through essentially commercial transactions.

Your auction site differs from the G platform in that it is primarily used for the transactions described above in connection with non-profit PITPs. You will either use the G platform for your "non-profit projects," under license from H, a program of an international organization, or develop your own platform based on G and connected to that system.

You represented initially that you were engaged in nothing less than implementation of G. Based on these representations, we requested a detailed description of the G system and platform to help us understand how it functioned. You did not furnish the descriptions requested on the grounds that the G project for H was now "closed" and to date have never provided us with a comprehensive description of the functioning of the G platform. You now represent that your primary activity is not the implementation of G as an integral system at all. You will not in fact be involved in the implementation or development of G.

Circumstances strongly suggest that you were formed to be the non-profit successor to K. The private sector parties in the G public-private partnership includes K, which you described as an international organization project executive agency and private company, and the M, a private P company. K, according to Wikipedia, "... is a software technology company ... which currently takes part in developing technology exchange systems for government agencies and (an international organization). They are the main financier and organizer of the G Summit held in N in 2006." This conference, O, was conducted by H's J, the municipality of N, M, and K for the purpose of planning G. K is also involved in the health care industry, operating a medical healthcare store, and providing consulting services to various medical institutions. K's name is virtually identical to your own. K shares your address. You have represented that your CEO, B, is in charge of the G implementation program, and that this activity commenced on date y. You could not have been involved with G at that date, having been incorporated 22 months later on date x. K, however, was formed as early as 1995 and its involvement with G goes back to the project's inception in July 2005.

Nevertheless you maintain that you are not the successor of K or any other entity. You were unresponsive to our requests for a description of your relationship to K, and ignored our request for a listing of its shareholders. You say only that you are an independent organization focusing on non-profit projects, and that you might work with K and L, a business in which B holds a 30% interest and which, like K, shares your address. You stated that L will be renting space to you, but were unresponsive to requests for details about the expected terms of your arrangement with L.

You have mentioned three projects which appear to be examples of PITPs of the kind that will obtain funding through the auction platform. The first, S, described in your application, evaluates a new anti-malarial medicine and performs clinical testing in developing countries. You will carry on S directly. In conjunction with the evaluation and testing of the drug, you will conduct T pre-qualification evaluation training. Your responses to questions about who developed the medicines you were testing were vague, such as: "Our organization does not have any relationship with (S) yet"; and "Currently, no contracts or written understandings with

(R) are available"; and "Documentation of our evaluation of the (W) Project is not available yet." The small amount of information that has been submitted indicates you are conducting the evaluation and testing for R, a manufacturer of pharmaceuticals and traditional P medicines.

The second project is U, which will "... standardize traditional natural medicine over the counter for people without health insurance ..." and produce these medicines at low prices. We requested a detailed description of this project, but you provided no more details. We also asked about R's involvement in U, because its product line appears to consist largely of traditional P herbal medicines. You did not respond to this question, indicating only that you lacked the funding to pursue research on the project. However, according to publicly available information on the internet, copies of which have been provided to you, L, through a d/b/a, V, markets a line of natural remedies under the W brand name. The brand name W is the same as the name of Project U.

The third project is X. This project will fund the testing of a traditional natural essential oil blend widely believed to have curative properties. You did not identify the person that proposed the project or the manufacturer of the product. However, the product in question is marketed by V under the W brand name, according to publicly available information on the internet.

You expect to be supported through gifts, grants, and contributions from the general public. You will not charge users of the platform, whether research entities or technology service providers seeking funding, or donors desirous of funding their projects. A complete, detailed description of the integrated system was not provided despite our repeated requests.

You have not provided detailed and consistent responses to our requests for a clear definition of PITPs, your criteria for eligibility as a PITP, and your criteria and procedures for ranking PITPs. On the one hand, you have represented that your auction site's purpose, like the G platform's, is to support economic development in underdeveloped countries by facilitating technology transfers through donor-funded PITPs to recipients in the developing world. On the other hand, you provide as specific examples of PITPs "projects promoting public health, renewable energy, and environmental improvements," without reference to international development. While a PITP could conceivably involve scientific research, you do not appear to restrict PITPs to scientific research projects.

You have not explained in a manner fully responsive to our requests how private interests might not be served through the operation of the auction site. You did not, for example, identify persons or entities related to your officers or directors who might be chosen as project managers. You did not provide, as requested, copies or prototypes of agreements amongst you, donors and/or project contractors, including donor/sponsorship research, operating, intellectual property, and confidentiality agreements. You did not clearly describe the rights of the project donors, to which you sometimes refer as "vendors". You have indicated, however, that any person, including a commercial entity that is in a position to exploit the results of the project, or a person who may later be chosen as the project manager, may propose a PITP to receive funding through your auction site. You have not furnished, in response to our requests, your procedures in handling such proposals. You have declined to estimate the percentage of proposals you will receive from such sources.

You have not been responsive to our requests for detailed descriptions of your control and oversight over funded projects. What information you have furnished suggests that once you have matched donors, project and project manager, you do not have any active role in, or oversight of, a project. You appear to have ceded these functions to the donors, and to Boards of Management and Boards of Experts that are answerable to donors rather than to yourself. You describe yourself as a "market overseer", without direct involvement in the project. You appear to have no control over the disbursement of contributed funds. Funds donated through your auction site pass directly into the escrow account for the project for which they are designated. You have indicated that you consider donations made for PITPs promoted on your auction site to be deductible under section 170(c)(2) of the Code. Intellectual property created in the course of the project is shared by the donor and the project team.

You have been unresponsive to our requests for a detailed description or breakdown of your estimated project related expenses.

You have been unresponsive to requests for information about your relationship with P business entities, non-governmental organizations, P nationals or agencies of the government of Q, denying that you have relationships of any kind with such entities. However, L has or had an office in N and K helped to organize the G Summit together with the municipality of N and M. Moreover, one of your projects is to test an anti-malarial drug produced and marketed by R, a P business entity based in N, and the other project aims to increase access to traditional P medicines, which may likewise be manufactured by R.

You have not provided detailed descriptions of these activities responsive to our requests, and have not provided a description of your involvement in securitization of social technology assets.

Regarding your proposed partnership with other organizations in engaging in research and development, you have not provided detailed descriptions of these activities in response to our requests.

Law

Section 501(a) of the Code provides, in part, that organizations described in section 501(c) are exempt from federal income tax. Section 501(c)(3) of the Code describes, in part, an organization that is organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary, or educational purposes, no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Treas. Reg. § 1.501(c)(3)-1(a)(1) provides that in order for an organization to be exempt under section 501(c)(3) of the Code it must be both organized and operated exclusively for one or more of the purposes specified in such section. If an organization fails to meet either the organizational or operational test, it is not exempt.

Treas. Reg. § 1.501(c)(3)-1(c)(1) provides that an organization will be regarded as "operated exclusively" for one or more exempt purposes only if it engages primarily in activities which accomplish one or more such exempt purposes specified in section 501(c)(3). An organization will not be so regarded if more than an insubstantial part of its activities is not in furtherance of

an exempt purpose.

Treas. Reg. § 1.501(c)(3)-1(c)(2) provides that an organization is not operated exclusively for one or more exempt purposes if its net earnings inure in whole or in part to the benefit of private shareholders or individuals.

Treas. Reg. § 1.501(c)(3)-1(d)(1)(ii) provides that an organization is not organized or operated exclusively for any of the purposes specified in section 501(c)(3) unless it serves public rather than private interests. Thus, to meet the requirement of this subdivision, it is necessary for an organization to establish that it is not organized or operated for the benefit of private interests such as designated individuals, the creator or his family, shareholders of the organization, or persons controlled director or indirectly, by such private interests.

Treas. Reg. § 1.501(c)(3)-1(d)(2) provide that the term "charitable" is used in IRC 501(c)(3) in its generally accepted legal sense and includes relief of the poor and distressed or of the underprivileged, and the promotion of social welfare. The concept of charity was developed in the common law long before the term was incorporated into the Internal Revenue Code. Scott on Trusts, section 368 (3rd ed. 1967), provides a thorough analysis of the generally accepted legal interpretation of the term "charitable". Thus, legal precedent for analyzing whether an activity is charitable is not limited to interpretations under IRC 501(c)(3) or its predecessor provisions. Promotion of health has long been recognized as charitable, provided that it is not carried on in a proprietary manner and the class of beneficiaries is sufficiently large and indeterminate to benefit the community as a whole. Restatement (Second) of Trusts, §§ 368, 372 (1959).

Treas. Reg. § 1.501(c)(3)-1(d)(5)(i), in defining the term 'scientific,' provides that since an organization may meet the requirements of section 501(c)(3) only if it serves a public rather than a private interest, a 'scientific' organization must be organized and operated in the public interest. Therefore, the term "scientific", as used in section 501(c)(3), includes the carrying on of scientific research in the public interest.

Treas. Reg. § 1.501(c)(3)-1(d)(5)(ii) further provides that scientific research does not include activities of a type ordinarily carried on as an incident to commercial or industrial operations, as, for example, the ordinary testing or inspection of materials or products.

Treas. Reg. § 1.501(c)(3)-1(d)(5)(iii) provides that scientific research will be regarded as in the public interest if the results of such research (including any patents, copyrights, processes, or formulae resulting from such research) are made available to the public on a nondiscriminatory basis; if such research is performed for the United States, or any of its agencies or instrumentalities, or for a State or political subdivision thereof; or if such research is directed toward benefiting the public. Examples of research that meet the last criterion are (a) research carried on for the purpose of aiding in the scientific education of college or university students; (b) research carried on for the purpose of obtaining scientific information, which is published in a treatise, thesis, trade publication, or in any other form that is available to the interested public; (c) re- search carried on for the purpose of discovering a cure for a disease; or (d) research carried on for the purpose of aiding a community or geographical area by attracting new industry to the community or area or by encouraging the development of, or retention of, an industry in

the community or area.

Rev. Rul. 65-1, 1965-1 C.B. 226, describes an organization formed to foster the development and design of labor saving agricultural machinery, including the development of new labor saving ideas and methods, and to conduct pertinent research. In carrying out its purposes, the organization undertakes projects to determine the need for the development of agricultural machinery which can plant, cultivate or harvest crops of the type which are normally planted, cultivated or harvested manually by agricultural laborers. Upon selecting a project to be developed, a grant is made by the organization to an appropriate public agency or firm to develop the necessary machinery. The successful development of such machinery is expected to ultimately result in reducing the cost of the particular crops to the public. The Service held that this activity does not constitute "scientific research" as being of a type ordinarily carried on as an incident to commercial or industrial operations. Moreover, the development of a new machine is directed toward benefiting those particular manufacturers and any benefit to the public must be considered indirect. Under these circumstances the organization could not be considered as operating for a public purpose.

Rev. Rul. 68-117, 1968-1 C.B. 251, describes an organization formed to help poor rural inhabitants of developing countries, in part by conducting a guided self-help program for social and economic development in the rural areas of these countries. This program includes furnishing expert guidance to subsistence-level farmer groups on modern agricultural methods, livestock and poultry care, and up-to-date marketing practices in an effort to raise their standard of living. The organization was held to be exempt under section 501(c)(3) as relieving the poor and distressed.

Rev. Rul. 68-165, 1968-1 C.B. 253, described a similar self-help program, which was held to be charitable as relieving the poor and as promoting social welfare. The organization joined with similar organization in Latin America to promote student and cultural exchanges as well as provided technical and material assistance for self-help projects designed to improve the living conditions of the underprivileged people in Latin America.

In Rev. Rul. 68-373, 1968-2 C.B. 206, describes a nonprofit organization primarily engaged in testing drugs for commercial pharmaceutical companies. These tests are required in order to comply with Food and Drug Administration requirements that drugs be tested for safety and efficacy before they can be marketed. As clinical testing is an activity ordinarily carried on as an incident to a pharmaceutical company's commercial operations, such testing does not constitute scientific research; nor is it testing for public safety, but is merely a service performed for the manufacturer. Such testing principally serves the private interest of the manufacturer rather than the public interest.

Rev. Rul. 68-489, 1968-2 C.B. 210, describes the conditions under which an organization will not jeopardize its exemption under section 501(c)(3) of the Code, even though it distributes funds to nonexempt organizations. The exempt organization must ensure use of the funds for section 501(c)(3) purposes by limiting distributions to specific projects that are in furtherance of its own exempt purposes. It retains control and discretion as to the use of the funds and maintains records establishing that the funds were used for section 501(c)(3) purposes.

Rev. Rul. 69-632, 1969-2 C.B. 120, holds that an organization composed of members of an industry to develop new and improved uses for products of the industry was not an exempt scientific organization because the primary purpose of the association's research is to serve the private interests of its creators, rather than the public interest.

Rev. Rul. 74-587, 1974-2 C.B. 162, describes a nonprofit organization that qualified for exemption under IRC 501(c)(3) by providing low-cost loans to businesses in economically depressed areas. Because of lack of development capital, limited entrepreneurial skills of business owners, social unrest and instability in the area, and depressed economic conditions in the larger region, many businesses in the target areas had declined, fallen into disrepair, or failed. The program is charitable, promoting social welfare by relieving the poor and distressed or the underprivileged and combating community deterioration.

Section 4.03 of Revenue Procedure 2010-9, 2010-1 C.B. 258, provides in pertinent part, as follows:

Exempt status will be recognized in advance of operations if proposed operations can be described in sufficient detail to permit a conclusion that the organization will clearly meet the particular requirements of the section under which exemption is claimed. (1) A mere restatement of purposes or a statement that proposed activities will be in furtherance of such purposes will not satisfy this requirement. (2) The organization must fully describe the activities in which it expects to engage, including the standards, criteria, procedures, or other means adopted or planned for carrying out the activities, the anticipated sources of receipts, and the nature of contemplated expenditures. (3) Where the organization cannot demonstrate to the satisfaction of the Service that it qualifies for exemption pursuant to the section of the Internal Revenue Code under which exemption is claimed, the Service will generally issue a proposed adverse determination letter or ruling.

In Better Business Bureau of Washington, D.C., Inc. v. United States, 326 U.S. 279 (1945), the Supreme Court held that the presence of a single non-exempt purpose, if substantial in nature, will destroy a claim for exemption regardless of the number or importance of truly exempt purposes.

In Mercantile Bank & Trust Company v. United States, 441 F.2d 364 (8th Cir. 1971), the court stated that "Special benefits to taxpayers, such as tax exemption status, do not turn upon general equitable considerations but are matters of legislative grace. The taxpayer has the burden to show that it comes within the statutory provision allowing the deduction or exemption comes squarely within the terms of the laws conferring the benefit sought."

Application of Law

1. The factual record in the administrative file is sufficient to demonstrate that you fail to meet the operational test under Treas. Reg. § 1.501(c)(3)-1(c).

First, you will evaluate an anti-malarial medicine and perform clinical testing in developing countries (project S). You are conducting the evaluation and testing for R, a manufacturer of pharmaceuticals and traditional P medicines. This activity is identical to that of the organization

described in Rev. Rul. 68-373, which tests drugs for commercial pharmaceutical companies. Treas. Reg. § 1.501(c)(3)-1(d)(5)(ii) provides that an activity of a type ordinarily carried on as an incident to commercial or industrial operations is not scientific research, and consequently is not carried on for a scientific purpose.

Since the cost of testing will be paid from funds you received in the form of tax-deductible contributions, rather than through fees paid by the developer or manufacturer of the drug, you are conferring on the entity, which would otherwise incur the cost, a benefit that is not incidental to the accomplishment of any exempt purpose. Like the organization described in Revenue Ruling 65-1, your clinical testing is directed toward benefiting a particular manufacturer, R, and any benefit to the public is indirect. Under these circumstances the organization cannot be considered as operating for a public purpose, as required by Treas. Reg. § 1.501(c)(3)-1(d)(1)(ii).

Secondly, L markets the essential oil which will be tested under the X project. Moreover, L markets a whole line of traditional natural medicines under the W brand name, which is indistinguishable from the name of Project U, which strongly suggests that the natural medicines marketed on the L site are the same as the medicines the U project will "standardize" for production at low prices.

Since you have not provided full descriptions of Projects X and U in response to our requests, we are precluded from ruling affirmatively that these projects further an exempt purpose. The facts that have been submitted, however, are sufficient to suggest that it is a substantial purpose of Project X to benefit L by enhancing the marketability of W, and that it is a substantial purpose of Project U to benefit L by enhancing the marketability of the W line of products generally. In addition, it is likely that Projects X and U both involve the testing of products for commercial entities, either L or the manufacturers of the products.

As stated above in Mercantile Bank & Trust Company v. United States, the burden of proof that the requirements for tax exemption are met falls upon you. By failing to respond to our requests for additional information about these projects, which may serve the private interest of L and its part-owner B, and involve testing incidental to commercial operations like project S, you have not carried your burden to demonstrate that they are exclusively in furtherance of exempt purposes, because you have not met the requirement of Treas. Reg. § 1.501(c)(3)-1(d)(1)(ii) to establish that you are not organized or operated for the benefit of private interests such as designated individuals, the creator or his family, shareholders of the organization, or persons controlled directly or indirectly, by such private interests.

Thirdly, your primary activity is the operation of the web-based auction site where persons interested in having a technology project carried out can obtain funding. You have not provided a satisfactory description of the working of the website and of your criteria for accepting a PITP. However, the partial information you have furnished suggests that you do not propose the projects yourself, but accept proposed projects from any source, rate them, and post them on your auction site; there they are matched with "donors" -- that is, persons or entities who are willing to fund -- and with the research team or service provider that will actually conduct the project. Thus, you neither fund a project yourself, nor conduct it yourself, nor do you exercise control or oversight of the project. You merely facilitate the posting of PITPs on the website as

well as the solicitation of funds for PITPs.

You have not, however, provided information we have requested to help us determine whether the PITPs which you facilitate are exclusively in furtherance of purposes described in sections 501(c)(3) and 170(c)(2)(b) of the Code. You have not provided a clear and consistent definition of a non-profit PITP, nor have you provided a detailed and consistent explanation of the basis for your selection of projects you facilitate. Although you represent that the PITPs support economic development in underdeveloped countries by facilitating technology transfers, the specific examples of PITPs you provided -- " ... projects promoting public health, renewable energy, and environmental improvements ... " -- do not appear to be designed exclusively for the economic betterment and ameliorization of living conditions for populations in the Third World, like the organizations described in Revenue Rulings 68-117 and 68-165, and 74-587, nor do the projects S, U, or X appear to involve any transfer of technology to promote international development. You have not demonstrated that you will in any other way restrict your support to projects that are exclusively in furtherance of purposes described in sections 501(c)(3) and 170(c)(2)(b). You also have not demonstrated that you exercise discretion and control over the funds received through the website and payable to entity which actually carries out the project, as required by Rev. Rul. 68-489.

It is also your burden to demonstrate that you serve public rather than private interests as required by Treas. Reg. § 1.501(c)(3)-1(d)(1)(ii). You have not provided information we have requested concerning potential noncharitable beneficiaries of this activity, including related entities.

Thus you have not been able to prove to our satisfaction that your web-based auction site for promoting and obtaining funding for non-profit PITPs is operated exclusively for exempt purposes within the meaning of section 501(c)(3). You have also been unable to demonstrate that you serve public rather than private interests as required by section Treas. Reg. § 1.501(c)(3)-1(d)(1)(ii). Consequently you do not qualify for exemption under Section 501(c)(3) of the Internal Revenue Code.

The information you have submitted does not further an exempt purpose. Per Better Business Bureau, above, the presence of a single non-exempt purpose, if substantial in nature, precludes exemption under section 501(c)(3) of the Code.

2. You have not submitted additional information to the Internal Revenue Service upon request, and your lack of response constitutes another basis for denying your application under IRC § 501(c)(3).

You have been unwilling to furnish a complete, detailed description of the integrated PITP funding system, or of the G platform on which it is based.

You have been unwilling to provide a detailed and consistent explanation of the basis for your selection of projects you facilitate.

You have been unwilling to provide information we have requested concerning potential noncharitable beneficiaries of this activity, including related entities.

You have not provided, as requested, detailed descriptions of your control and oversight over funded projects; of your activities "promoting research and education projects"; and of "intellectual property exchanges"; and "securitization of social technology assets, such as public health technologies and environmental technologies." "Intellectual property exchanges" and "securitization of social technology assets" may be activities of a commercial character, and must be described in full.

You have not provided informative answers to our questions about your relationships with K, and about your relationship with R and other P business entities, non-governmental organizations, P nationals or agencies of the government of Q. For example, you appear to be related to K, although you have not acknowledged the relationship and you have not supplied the information about its ownership that we requested. Without a full disclosure of your relationship to K, we cannot assess whether you are being operated entirely for public purposes, or are serving a substantial private interest.

You have not provided a full description of the X project in response to our requests. You have declined to provide a full description of the U project to "standardize traditional natural medicine over the counter for people without health insurance" and "produce these medicines at low prices."

In addition, you have not furnished a satisfactory description or breakdown of your estimated project related expenses.

You have not fully described the activities in which you expect to engage, including the standards, criteria, procedures, or other means adopted or planned for carrying out the activities, including information germane to whether you qualify for exemption pursuant to section 501(c)(3) of the Code. Consequently, you have failed to demonstrate to the satisfaction of the Service that you qualify for exemption. As section 4.03 of Revenue Procedure 2010-9 indicates, your failure to provide the additional information we requested constitutes in and of itself another basis for denying your application under section 501(c)(3).

Your Position

We attempted to speak to your CEO, B, and to your authorized representative to obtain your position, but neither B nor your authorized representative would speak to us. You have, however, in the course of our exchange of correspondence averred that your responses to our questions were satisfactory and our requests for information repetitive.

Service Response to Your Position

Your responses failed to furnish the requested information. We were frequently obliged to make more than one attempt to obtain certain important information. This problem was exacerbated by your preference that our interactions be restricted to exchanges of written information. The administrative record indicates problems in communicating via telephone; however, written correspondence was provided.

Conclusion

We are proposing to deny your application based on the following two reasons. Each of these reasons, standing alone, is sufficient enough to deny:

1. You do not qualify for exemption under section 501(c)(3) because you do not meet the operational test under Treas. Reg. § 1.501(c)(3)-1(c)(1). In addition, you are not operated exclusively for charitable purposes under Treas. Reg. § 1.501(c)(3)-1(d)(2). You do not serve public rather than private interests as stipulated by Treas. Reg. § 1.501(c)(3)-1(d)(1)(ii).
2. You have failed to submit additional information to the Internal Revenue Service upon request. Consequently, you have failed to demonstrate to the satisfaction of the Service that you qualify for exemption. In accordance with section 4.03 of Revenue Procedure 2010-9, your lack of response constitutes in and of itself another basis for denying your application under section 501(c)(3).

You have the right to file a protest if you believe this determination is incorrect. To protest, you must submit a statement of your views and fully explain your reasoning. You must submit the statement, signed by one of your officers, within 30 days from the date of this letter. We will consider your statement and decide if the information affects our determination. If your statement does not provide a basis to reconsider our determination, we will forward your case to our Appeals Office. You can find more information about the role of the Appeals Office in Publication 892, *Exempt Organization Appeal Procedures for Unagreed Issues*.

Types of information that should be included in your appeal can be found on page 2 of Publication 892, under the heading "Regional Office Appeal". The statement of facts (item 4) must be accompanied by the following declaration:

"Under penalties of perjury, I declare that I have examined the statement of facts presented in this appeal and in any accompanying schedules and statements and, to the best of my knowledge and belief, they are true, correct, and complete."

The declaration must be signed by an officer or trustee of the organization who has personal knowledge of the facts.

Your appeal will be considered incomplete without this statement.

If an organization's representative submits the appeal, a substitute declaration must be included stating that the representative prepared the appeal and accompanying documents; and whether the representative knows personally that the statements of facts contained in the appeal and accompanying documents are true and correct.

An attorney, certified public accountant, or an individual enrolled to practice before the Internal Revenue Service may represent you during the appeal process. If you want representation during the appeal process, you must file a proper power of attorney, Form 2848, *Power of Attorney and Declaration of Representative*, if you have not already done so. You can find more information about representation in Publication 947, *Practice Before the IRS and Power of*

Attorney. All forms and publications mentioned in this letter can be found at www.irs.gov, Forms and Publications.

If you do not file a protest within 30 days, you will not be able to file a suit for declaratory judgment in court because the Internal Revenue Service (IRS) will consider the failure to appeal as a failure to exhaust available administrative remedies. Code section 7428(b)(2) provides, in part, that a declaratory judgment or decree shall not be issued in any proceeding unless the Tax Court, the United States Court of Federal Claims, or the District Court of the United States for the District of Columbia determines that the organization involved has exhausted all of the administrative remedies available to it within the IRS.

If you do not intend to protest this determination, you do not need to take any further action. If we do not hear from you within 30 days, we will issue a final adverse determination letter. That letter will provide information about filing tax returns and other matters.

Please send your protest statement, Form 2848, and any supporting documents to the applicable address:

Mail to:

Internal Revenue Service
EO Determinations Quality Assurance
Room 7-008
P.O. Box 2508
Cincinnati, OH 45201

Deliver to:

Internal Revenue Service
EO Determinations Quality Assurance
550 Main Street, Room 7-008
Cincinnati, OH 45202

You may fax your statement using the fax number shown in the heading of this letter. If you fax your statement, please call the person identified in the heading of this letter to confirm that he or she received your fax.

A copy of this letter has been sent to your authorized representative.

If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely,

Robert S. Choi
Director, Exempt Organizations
Rulings & Agreements

Enclosure, Publication 892